

TEXAS TITLE INSURANCE WORKS

REFINANCE BASICS



This is one of the most common questions consumers ask about title insurance, and that's understandable. After all, you already bought title insurance when you purchased your home, and your title was clear then. So why do you need to pay for a new policy when refinancing your loan? The answer is simple: you're entering into a new contract with a lender that must protect its investment with a new title policy.

New Loan

During a refinance, you're getting a **new** mortgage loan. Because this loan is new, the lender will require that its collateral be secured with clear title on the property. As part of the new loan transaction, in addition to origination fees and other charges, the bank will require the purchase of a lender's title policy to protect its investment.

New Policy

When you get a new loan, the title insurance company must issue a new title policy which requires them to research the history of the property **since** you purchased it and, in many circumstances, beyond that. This research is labor intensive and requires the use of the title agent's workforce and records.

Things Change

As time goes by, things change. While you know what's happened with your property since your last loan, the bank making the new loan doesn't; therefore, it requires title insurance. Often, things **have** happened that affect title to your property, such as:

-  marriage, divorce, death
-  unpaid taxes, unpaid child support
-  HOA liens
-  home renovation liens (resulting when contractors fail to pay subcontractors, unbeknownst to you)
-  plus many more issues, ranging from the common and simple to the rare and complicated

You Pay Less

The Texas Department of Insurance requires a **discount** to be given on title policies issued in a refinance. This discount is based on the amount of time that has passed since the last policy was written. The more recent your policy, the greater the discount.

Refinance Premium Discount

40%	within 2 years*
35%	more than 2 years but less than 3 years*
30%	more than 3 years but less than 4 years*
25%	more than 4 years but less than 5 years*
20%	more than 5 years but less than 6 years*
15%	more than 6 years but less than 7 years*

*From the date of the policy insuring the old mortgage

Source: Texas Title Insurance Basic Manual, Section III, R-8